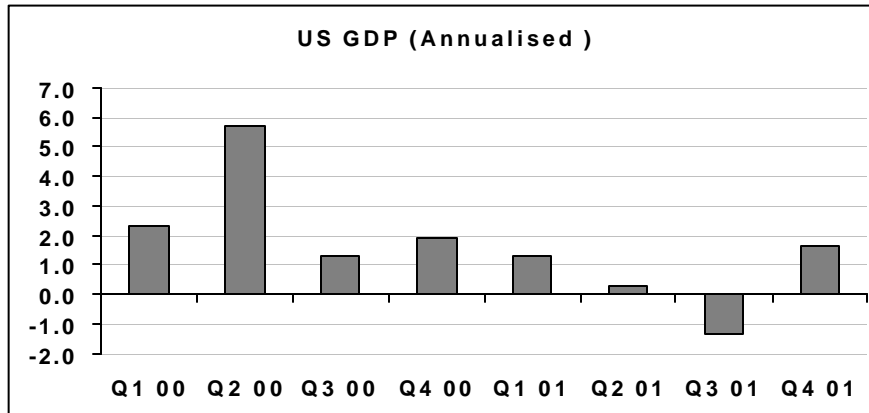


US Q4 GDP Revised Up to 1.7%

The U.S. economy grew by even more than first estimated in the final three months of last year. On an annualised basis, GDP growth was revised upwards from 1.4% to 1.7%. An improved trade balance was the key reason for the increase. The decline in exports was revised down from 12.2% to 10.9%. Meanwhile, the decline in imports was revised up from 6.9% to 7.5%.



This was the best growth performance by the economy since the final quarter of 2000 and followed a 1.3% contraction in the three months July-September, the only quarter for last year that growth was in negative territory. Nonetheless, the weak economy took its toll with corporate after-tax profits falling 10.6%. For 2001 as a whole, the economy grew at a 1.2% rate, the worst yearly performance since a 0.5% decline recorded in 1991.

Consumer and government spending fueled the 1.7% expansion but gains in these areas were once again offset by negative contributions from inventories, business investment, exports and investment. Consumer spending rose at a revised 6.1% pace, up from the 6.0% pace previously estimated and up from 1.0% in the third quarter. Record car sales were largely responsible for the increase in consumer spending.

Fixed investment was slightly worse than reported in the initial estimate, falling 13.8%. Nonresidential investment, both in equipment and structures, continues to be the drag on the economy. Inventory investment was essentially unchanged at -\$119.3 billion. These cutbacks knocked about 2.2% from growth.

The pace of economic activity has picked up considerable momentum since the start of 2002. ISM data for February show sharp rises in both the manufacturing and services indices, consistent with strengthening economic growth. March's data are expected to show further improvement. Setting the stage for a potentially very strong first quarter report are inventory data. If, as expected, modest inventory rebuilding adds some 1.5% to GDP in the coming quarters, no improvement in underlying demand would be required to push GDP growth up to 4%.

Geraldine Concagh
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